

DEPARTMENT OF AGING

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To: All Interested Parties

FROM: Lynda Terry, Director
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SUBJECT: **GOVERNOR'S AGING BUDGET FOR 2004-05**

On Friday, January 9, 2004, Governor Arnold Schwarzenegger introduced his proposed budget for 2004-05. The proposed budget for the California Department of Aging (CDA) is \$185,324,000 for next year (\$33,366,000 from the General Fund, \$3,315,000 from Special State Funds, \$139,456,000 from federal funds and \$9,187,000 from Reimbursements). The budget proposal represents difficult choices, and the Governor has called on every aspect of State government to contribute to the solution of California's severe fiscal crisis.

The Governor's proposed 2004-05 budget empowers local decision making by block granting State funds to Area Agencies on Aging (AAA), which will determine the best program mix to meet each area's unique local needs through their existing area plan process.

This proposal would establish the Consolidated State Funded Block Grant by transferring Local Assistance General Funds available for Older Californians Act Community-Based Services Programs into a consolidated General Fund grant that augments funding provided for services authorized by the federal Older Americans Act (OAA).

Budget highlights include the following:

- Consolidation of State support for aging programs into a block grant. This will provide more flexibility to utilize grant resources to better match local priorities and needs.
- Reduction of \$1,573,000 in General Fund for Local Assistance.
- Reduction of \$107,000 in General Fund support in State Operations funding. The 1.5 positions at CDA will be eliminated to reflect the conversion of State support for aging programs to a block grant.



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- Reduction of \$1,008,000 (\$706,000 in Special Deposit Fund and \$302,000 in Federal Reimbursements) for the Long-Term Care (LTC) Ombudsman Program because revenues in the Special Deposit Fund are projected to be insufficient to support the previously authorized expenditure level.
- Increase of \$2,281,000 in reimbursements for the LTC Ombudsman Program to fund expenditures attributable to Medi-Cal-eligible residents of skilled nursing facilities.
- Increase of \$485,000 (\$162,000 in HICAP Fund and \$323,000 in Reimbursements) for Local Assistance in the Health Insurance Counseling and Advocacy Program to implement Chapter 545, Statutes of 2003.
- Increase of \$24,000 (\$12,000 in General Fund and \$12,000 in Reimbursements) in State Operations to ensure the Multipurpose Senior Services Program is in compliance with the Health Insurance Portability and Accountability Act (HIPAA) of 1996.
- Reduction of \$1,232,000 (\$557,000 General Fund) and 16.5 personnel years pursuant to Control Section 4.10 of the Budget Act of 2003.

The Governor's budget also proposes a 10 percent Medi-Cal provider rate reduction for 2004-05, in addition to a continued 5 percent rate reduction initiated in 2003-04. CDA administers the Multipurpose Senior Services Program and the Adult Day Health Care Program, both of which are Medi-Cal programs. Subsequent to preparation of the Governor's budget, a federal court blocked implementation of the 5 percent cut proposed for 2003-04. CDA is awaiting further guidance from the California Department of Health Services regarding the proposal for provider rate reductions.

In summary, CDA's proposed budget for 2004-05 reflects the realities of a continued fiscal crisis, and the Administration's commitment to ensuring that California's growing senior population will continue to receive the highest possible level of necessary services.